

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name BETSIE VALLEY DISTRICT LIBRARY		County BENZIE	
Fiscal Year End 09/30/2007		Opinion Date 01/14/2008		Date Audit Report Submitted to State 03/31/2008			

We affirm that

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


SE
Q

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) WILSON, WARD CPA FIRM			Telephone Number 231-276-7668	
Street Address PO BOX 205			City INTERLOCHEN	State MI
			Zip 49643	
Authorizing CPA Signature 		Printed Name ROBERT K. WARD		License Number 1101028281

**BETSIE VALLEY DISTRICT LIBRARY
BENZIE COUNTY**

THOMPSONVILLE, MICHIGAN

**AUDIT REPORT
FOR THE YEAR ENDED
September 30, 2007**

Wilson, Ward CPA Firm
P.O. Box 205
Interlochen, MI 49643
(231) 276-7668

January 14, 2008

Board of Trustees
Betsie Valley District Library
Thompsonville, MI

The attitude and cooperative attitude was greatly appreciated. This attitude is reflected in the constant desire to do a better and more complete job and in providing enhanced services to the community.

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the course of the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Betsie Valley District Library. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Betsie Valley District Library are listed in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into the Betsie Valley District Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Betsie Valley District Library that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. There were no major adjustments.

COMMENT: The books and records were readily available and in good order, given light of the very limited resources, actually shows the effort put forth by the staff and board.

It is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices and insure proper compliance with the bond covenants.

Sincerely,

A handwritten signature in black ink that reads "Wilson, Ward CPA Firm". The signature is written in a cursive, flowing style.

Wilson, Ward CPA Firm

**BETSIE VALLEY DISTRICT LIBRARY
TABLE OF CONTENTS**

<u>Page</u>	
i	Table of Contents
1	Introductory Section
2-3	Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an audit of Financial Statements Performed In accordance With Government Auditing Standards.
4	Financial Section
5-6	Independent Auditor's Report
7	Statement of Net Assets and Fund Balance Sheet
8	State of Activities and Governmental Revenues, Expenditures and Changes in Fund Balance
9-12	Footnotes to Financial Statements
13	Supplemental Section
14	Supplemental Section Report
15	Budgeted Statement of Revenues and Expenditures

Introductory Section



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
COMBINED REPORT APPLICABLE TO INTERNAL CONTROL OVER FINANCIAL REPORT BASED
ON AN AUDIT OF FINANCIAL STATEMENTS AND INTERNAL CONTROL OVER
COMPLIANCE

Betsie Valley District Library Board
Thompsonville, Michigan

We have audited the financial statements of Betsie Valley District Library as of and for the year ended September 30, 2007, and have issued our report thereon dated January 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Betsie Valley District Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Betsie Valley District Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Betsie Valley District Library's internal control over financial reporting.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We found no matters considered to be significant deficiencies in internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Betsie Valley District Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express

such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Betsie Valley District Library in a separate letter dated January 14, 2008.

This report is intended solely for the information and use of the management, others within the organization and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Ward CPA Firm

Interlochen, MI
January 14, 2008

Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Betsie Valley District Library Board
Thompsonville, Michigan

We have audited the accompanying financial statements of the governmental activities of Betsie Valley District Library, Benzie County, Michigan, as of and for the year ended September 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Betsie Valley District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Betsie Valley District Library as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2008, on our consideration of the Betsie Valley District Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The accompanying financial statements do not present a Management's Discussion and Analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Betsie Valley District Library's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wolsan Ward CPA Firm

Interlochen, MI
January 14, 2008

BETSIE VALLEY DISTRICT LIBRARY
STATEMENT OF NET ASSETS AND FUND BALANCE SHEET
September 30, 2007

ASSETS

Current Assets

Cash	\$45,094
Investments	13,426
Accounts Receivable	<u>44</u>

Total Current Assets \$58,564

TOTAL ASSETS \$58,564

LIABILITIES AND NET ASSETS/FUND BALANCE

Liabilities

Prepaid State Aid	0
Payroll Taxes	<u>1,724</u>

Total Liabilities \$1,724

Net Assets/Fund Balance

Funded Reserves	\$60
Unrestricted Net Assets/Fund Balance	<u>56,780</u>

Total Net Assets/Fund Balance 56,840

TOTAL LIABILITIES AND NET ASSETS/FUND BALANCE \$58,564

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

BETSIE VALLEY DISTRICT LIBRARY
STATEMENT OF ACTIVITIES and GOVERNMENTAL REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended September 30, 2007

REVENUE

Penal Fines	\$30,350
State Aid	0
Township Grant	6,700
Other Income	0
Borrower Fines	61
Interest	875
Services	268
Donations	<u>4,937</u>

Total Revenue	\$43,191
---------------	----------

EXPENSE

Direct Costs

Salaries	\$26,032
Administrative	7,525
Supplies	1,583
Other Services	0
Library Materials	4,435
Capital Outlay	<u>0</u>

Total Direct Cost	\$39,575
-------------------	----------

Indirect Costs (Revenues)

Insurance	\$693
Repairs & Maintenance	78
Contingency	0
Miscellaneous	279
Contracted Services	<u>1,102</u>

Total Indirect Cost	\$2,152
---------------------	---------

Total Expense	<u>\$41,727</u>
---------------	-----------------

Net Revenue	\$1,464
-------------	---------

Beginning Net Assets/Fund Balance	<u>\$55,316</u>
-----------------------------------	-----------------

Ending Net Assets/Fund Balance	<u><u>\$56,780</u></u>
--------------------------------	------------------------

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Betsie Valley District Library Footnotes to Financial Statements

The Betsie Valley District Library is organized as a Michigan District Library pursuant to Act 164 of the Public Acts of 1955, as amended, to provide library services for the residents of Benzie County.

1. Summary of Significant Accounting Policies

The criteria established for determining the various agencies and boards to be included in the Library's general purpose financial statements depends on the extent such agencies and boards are a part of, controlled by or dependent on the Library. The governmental accounting standards board has stated that the primary criterion used to determine the reporting entity "is the ability to exercise oversight responsibility over such agencies by the governmental unit's elected officials." Based on the independent financial nature of the Library, the method of the selection of the governing authority and the overall authority of that agency, no agencies outside the Library were considered for inclusion in this report.

The basis of presentation for the financial activities of the Library are as recorded in the governmental fund. The General Fund is a self balancing, budgeted, operating fund which controls all expenditures of the Library and is used for reporting all financial transactions. The emphasis of this fund is on expendables and focuses on the determination of changes in financial position rather than income determination.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

The General Fund of the Library currently uses the modified accrual basis of accounting. Under this method, revenues are recognized only when received in cash except those easily recognized and recorded as receivables, particularly when such transactions are reimbursements for previously expended funds.

The General Fund of the Library includes amounts designated through bequest for the expressed use in the district. The Library Board has established a separate endowment fund and segregated these funds. Because the Board maintains control of these funds and they are not permanently limited as to specific use, they are carried in separate accounts. However, no separate fund has been established as a trust in agency fund.

The Library operates on an annual appropriated budget. However, this also requires that funds are not expended beyond the appropriated limits and that any transfers within the fund be formally approved by the Board. Amounts which have been "encumbered" at year end are included in the budgetary process. However, the encumbrance system is not maintained as

a part of the budgeted financial system, but is prepared annually for presentation purposes only.

2. Financial Control of Funds

All funds except petty cash are deposited at year end; \$45,094 is maintained in insured checking accounts. The bank balance as of year end is \$45,932. In addition, \$13,426 is invested in a Certificate of Deposit. All such invested funds are in legal investments as detailed below.

Act 217, PA 1982, as amended authorizes the County to deposit and invest in the following:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- c) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d) Repurchase agreements consisting of instruments listed in subdivision (a).
- e) Bankers' acceptances of United States banks.
- f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- g) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i) The purchase of securities on a when-issued or delayed delivery basis.
 - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967.
- i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367.
- j) The investment pools organized under the local government investment pool act, 1985 PA 121.

3. Cash and Cash Equivalents

Cash equivalents include all items which will mature within 60 days of the statement date. As of year end, no such cash equivalents were present. The cash present at year end is as follows:

	Carrying Value	Bank Value
Insured, not Collateralized		
Checking	\$45,094	\$ 46,932
Certificate of Deposit	\$13,426	\$ 13,426

4. Contingent Liabilities

Library officials are not aware of any contingent liabilities.

5. Expenditures of Budget

Disclosure of any amounts which have an excess expenditure over budget at year end is required. As such, it is important to note not only the accounts which had a significant excess of actual expenditures in excess of budget but also the causes. For the year ended September 30, 2007, there were no significant budget variances.

6. Capital Assets

Capital Assets, which include property, plant and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$2,500 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	20 years
Buildings	40 years
Building Improvements	25 years
Furniture and fixtures	7 years
Equipment	5 years
Vehicles	10 years

As of September 30, 2007 there are no capitalizable assets with remaining depreciable lives.

7. Pension Plans

There are no pension plans for the employees of the district library.

8. Compensated Absences

There are no vacation or sick pay provisions for compensated absences.

9. Risk Management

All risk management is through commercial insurance.

10. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Supplemental Section

WILSON, WARD CPA FIRM

P.O. Box 205
3015 M-137
Interlochen, MI 49643

(231) 276-7668
Fax: (231) 276-7687
E-mail: wilson@wilsonward.com

To the Betsie Valley District Library Board
Thompsonville, MI

We have audited the combined financial statements of Betsie Valley District Library for the year ended September 30, 2007. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financials statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Wilson, Ward CPA Firm

Interlochen, MI
January 14, 2008

BETSIE VALLEY DISTRICT LIBRARY
BUDGETED STATEMENT OF REVENUE AND EXPENDITURES
GENERAL FUND
For the Year Ended September 30, 2007

	Original Budget	Amended Budget	Actual	Variance
REVENUE				
Penal Fines	\$28,625	\$28,625	\$30,350	\$1,725
State Aid	2,000	2,000	0	(2,000)
Township Grant	6,150	6,150	6,700	550
Other Income	0	0	0	0
Borrower Fines	35	35	61	26
Interest	650	650	875	225
Services	290	290	268	(22)
Donations	440	440	4,937	4,497
Fund Balance	6,460	6,460	0	(6,460)
Total Revenue	44,650	44,650	43,191	5,001
EXPENSE				
Direct Costs				
Salaries	27,070	27,070	26,032	1,038
Administrative	7,900	7,900	7,525	375
Supplies	1,495	1,495	1,583	(88)
Other Services	0	0	0	0
Library Materials	5,590	5,590	4,435	1,155
Capital Outlay	0	0	0	0
Misc	0	0	0	0
Total Direct Cost	42,055	42,055	39,575	2,480
Indirect Costs				
Insurance	690	690	693	(3)
Repairs & Maintenance	390	390	78	312
Contingency	0	0	0	0
Contracted Services	1,000	1,000	1,102	(102)
Misc	515	515	279	236
Total Indirect Cost	2,595	2,595	2,152	443
Total Expense	44,650	44,650	41,727	2,923
Net Revenue	\$0	\$0	\$1,464	\$7,924

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS